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# MARKETPLACE

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## As Perchlorate Contamination Grows, So Do Troubles of Property Developers

*Water Containing the Chemical Dumped During Cold War Hinders Growth Plans in Parched Areas*

BY PETER WALDMAN

**S**EVERAL OF the nation's fastest-growing areas—including Las Vegas, Texas and Southern California—could face debilitating water shortages because of groundwater contamination by perchlorate, the main ingredient of solid rocket fuel.

The chemical, dumped widely during the Cold War at military bases and defense-industry sites, has seeped into water supplies in 22 states. The U.S. Environmental Protection Agency and the Department of Defense are embroiled in a bitter dispute over perchlorate's health effects, with the EPA recommending a strict drinking-water limit that the Pentagon opposes as too costly. Yet even without a national standard, state regulators and water purveyors are taking no chances: Dozens of perchlorate-tainted wells have been shuttered nationwide, casting a pall on growth plans in several parched areas.

Perchlorate is what scientists call an endocrine disrupter, a chemical that can alter hormonal balances—thyroid hormones, in this case—and thus impede metabolism and brain development, particularly among newborns. The chemical isn't believed to enter the body through the skin, so bathing in contaminated water isn't considered dangerous. The real debate is over how much ingested perchlorate causes harm. The outcome of that argument will ultimately determine how much the Pentagon and its defense contractors will have to spend to cleanse the chemical from the nation's

### A Spreading Problem

Some details on eight of the 75 perchlorate releases detected nationwide. The U.S. Environmental Protection Agency's recommended safety level for perchlorate in drinking water is one part per billion.

LOCATION <i>As of 12/27/02</i>	WHERE FOUND	MAX. CONCENTRATION (PPB)	SUSPECTED SOURCE
<del>Mather Air Force Base</del> Rancho Cordova, Calif	Monitoring well	640,000	Rocket mfg.
NASA lab Pasadena, Calif.	Water-supply well	54	Rocket research
Hills Iowa	Private well	30	Unknown
Aberdeen Proving Ground Md.	Water-supply well	14	Military explosives
Mead Neb.	Monitoring well	24	Fireworks facility
Henderson Nev.	Monitoring well	3,700,000	Chemical mfg.
Ogallala Aquifer Texas	Public water supplies	32	Unknown
Accomack County Va.	Public water supply	4	Unknown

Source: EPA

drinking supplies.

The EPA has urged the Pentagon to undertake widespread testing for perchlorate in groundwater, but the Defense Department has resisted. Its official policy, issued last month, allows testing only where a "reasonable basis" exists to suspect perchlorate contamination is both present and "could threaten public health."

One major problem is that perchlorate is turning up in many unexpected places, including at military training and test ranges where rockets and missiles—with their large quantities of solid propellants—aren't believed to have been used. Some scientists believe other types of munitions that used tiny amounts of perchlorate may be the culprits. Many of the ordinary military ranges with

perchlorate pollution lie on the outskirts of growing cities, in places that were once distant from civilian neighborhoods but now serve as watersheds and open space for sprawling suburban communities.

For example, though the Navy said no perchlorate was used at the firing range at the Marine Corps Air Station in El Toro, Calif., the chemical showed up in groundwater tests beneath a site considered for a public park, according to attorney Greg Hurley of the site's restoration advisory board. Likewise, in Bourne, Mass., on Cape Cod, a perchlorate plume that has shuttered half the town's wells emanated from the nearby Massachusetts Military Reserve, a training range for National Guard troops. And the plume that has curtailed 20% of the water supply of Aberdeen, Md., outside Washington D.C., began at Aberdeen Proving Ground, an Army training and munitions-test site. Representatives for the Army and National Guard acknowledge the perchlorate plumes originated from their ranges, and both services have assigned large teams of environmental experts to address the problem.

"Perchlorate is throwing a wrench in the works all over," says Lenny Siegel, who runs the Center for Public Environmental Oversight, a nonprofit group in Mountain View, Calif., that works with communities on military cleanups. "They've only started looking for it recently, and as far as I know, everywhere they've looked, they've found it."

The situation is most acute in the hills and desert frontier east of Los Angeles, where the military and its private contractors flocked to the wide-open spaces before and after the Second World War. Now, in one of the few bright spots of the national economy, those spaces are rapidly

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five times the amount of saturated at compared with trans fat.

The footnote battle comes at a sensitive time for the food industry. As concern about obesity rises, trial lawyers representing overweight clients are looking for companies to sue. Major fast-food chains already face lawsuits that liken their role in obesity to that of cigarette

ing. Food makers and restaurants use trans fat-rich shortenings and oil to make fried and processed foods because it increases stability and shelf life.

But some companies have sensed the regulatory pressure and reformulated products before the labeling requirement takes effect. McDonald's Corp. recently announced it was switching the oil in

that lumping the two fats together was misleading to customers, and that prompted the FDA to try again. As a result, regulators came up with the current labeling proposal.

The footnote controversy could drag out the regulatory process. While the FDA initially planned to release its final labeling rule early next year, a rule is unlikely before summer.

cigarette called wave, made by Jax bacco Inc. Not one has a tax stamp agents confiscate the cigarettes.

Store manager Waddah Alaya is agents that he and his fellow workers the untaxed smokes a few blocks from store. "When they sell for \$4 on the we have no choice," Mr. Alaya says.

There has long been a black market cigarettes in New York. Organized would distribute untaxed cartons—usually just "fell off a truck"—at restaurants. But the current competition is more do-it-yourself, at least for police and tax agents say. Smugglers buy van loads of popular brands discount stores along Interstate 95 in Virginia, where the cigarette tax is just cents a pack, or in North Carolina, it is five cents a pack. (For crooks more finesse, North Carolina has a advantage of not having a tax stamp cigarette packs, so that a counterfeit York tax stamp can be neatly added street value of their cargo nearly when the cigarettes cross into Manhattan.)

"It just depends on how far you to drive and how much profit you make," says Jerry Bowerman, chief of the Bureau of Alcohol, Tobacco and arms diversion branch. Mr. Bowerman says that in the government's fiscal ended Sept. 30, his agents operated investigations into major cigarette smuggling operations nationwide, up from the year before, not including common-and-pop operations.

While the black market is much smaller in neighborhoods across the city, what change is the dominant cigarette brand in Brighton Beach, home to many Russian migrants, Marlboros and Parliament popular among smugglers. In Chinatown, it's Marlboro Lights, while in Arab neighborhoods, Benson & Hedges often is the choice, tax agents say.

Cigarette smuggling not only a fat profit but is less risky than selling drugs, law-enforcement agents say. Drug trafficking carries sentences ranging from a minimum of five years to a maximum of life in prison. The tence for cigarette smuggling is five years. Federal prosecutors don't cases involving fewer than 300 some van drivers load up exactly 2 cigarette smugglers "are not going serious jail time," says Edgar Dohead of the ATF's New York field office.

Mr. Domenech predicts an increased competition among criminal groups control the trade in untaxed cigarettes. "And competition in any illegal results in some shape or form of violence," he says.

For now, however, the streets belong to a class of small-time operators, such as 46-year-old Blossom mother of four says she's been "selling cigarettes for about two months to ment her pay as a home health attendant in Manhattan.

"I thought I could make a little thing extra, I'm just trying to meet for Christmas," she says, Newports near elevated-train tracks. Blossom says she can clear \$350 a week, and hasn't been bus "It's an uphill battle," says Kato, a top official in New York Finance Department. "There are them than there are of us."

## Spreading Perchlorate Woes May Hurt Development

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illing up with new homes that buyers ine up to purchase before they are even inished.

The perennial California constraint is water, so the discovery of perchlorate in cherished underground aquifers throughout Southern California—and in the mighty Colorado River itself, the water source for more than 15 million households in the region—is raising alarm. The city of Rialto in San Bernardino County, for example, has lost half its water capacity to perchlorate contamination in recent months, with an additional 10% to 20% of its supply under threat from the spreading plume. Rialto and several nearby cities and water utilities have asked the Pentagon and defense contractors believed responsible for the pollution for emergency funds to buy replacement water, but have so far been denied.

Now Rialto is faced with a critical decision: how to slake existing water demand, while providing huge quantities of extra water needed for dust control to complete a crucial project on highway 210, without further spreading the perchlorate contamination. One proposal, to use recycled wastewater, would entail transporting water from the city's treatment plant in as many as 1,000 trucks a week. But the highway that would be used, Interstate 5, is so choked with traffic that the one-mile drive can take more than an hour.

"How can we expect our economy to hold if the freeway doesn't get built?" asks Bradley Baxter, Rialto's director of public works. "This perchlorate crisis could stop development in the city altogether." The city of Santa Clarita in Los Angeles County, northeast of the San Fernando Valley, has had similar problems resolving perchlorate pollution at a 987-acre site once used for munitions manufacturing in the heart of the fast-growing Santa Clarita Valley. The city has lost three of its 13 drinking wells to perchlorate, which has seeped into both the shallow and deep aquifers in the area. For years, the city has planned homes and roads to be built on the so-called Whittaker-Bermite property to fill in the suburbs, which grew around the site like a doughnut, but local and state regulators, who found the perchlorate plume in 1997, couldn't prod successive owners of the land to clean it up.

Last month, California's Department of Toxic Substances Control ordered the original munitions maker that owned the site, Meggitt PLC's Whittaker unit, to begin cleanup immediately, but the company has yet to respond, says William Manetta, president of Santa Clarita Water Co. "Here we are five years later, and

nothing has changed. Our wells are just sitting there," he says.

Whittaker's outside lawyer, Joseph Armao, says the company intends to fulfill any cleanup obligations it has, but it remains unclear whether Santa Clarita's perchlorate plume emanates from Whittaker's former manufacturing site. The attorney also said it is "only fair" that the Defense Department take responsibility for the perchlorate problem, because it furnished and oversaw much of the chemical's use.

Perchlorate has also turned up, from unknown causes, in the Ogallala aquifer, the major water source for nine West Texas counties near Midland. So far, no wells have been shut, though concentrations have been detected as high as 30 parts per billion, or 30 times the level the EPA recommends is safe. Warnings have been issued in some areas for people not to drink the water. Elsewhere in Texas, near Waco, the chemical has surfaced in wells at the McGregor Naval Weapons Plant, and downstream in the South Bosque River, which supplies water to the city of Waco.

In Nevada, the drinking supply for Las Vegas, which draws most of its water from Lake Mead above the Hoover Dam, this year contained perchlorate in levels 10 times what the EPA says is safe, according to data provided by the Southern

Nevada Water Authority.

In nearby Henderson, perchlorate concerns are complicating plans to build a 9,000-home community on the 2,300-acre site of old industrial-waste ponds. The ponds drained toxic substances from several factories, including the one that manufactured the perchlorate that seeped into Lake Mead and the Colorado River.

The project's developer, Basic Management Inc.'s LandWell unit, has submitted two draft "Closure Plans" for the site in the past 18 months to Nevada's Division of Environmental Protection. But division officials say neither draft adequately characterizes the environmental risks associated with building the \$350 million project on top of former industrial-waste ponds. In particular, the "Closure Plans" make assumptions about the source and flow of the area's perchlorate plume that need to be verified, Nevada officials say.

Dan Stewart, chief executive of Basic Management, says the developer is completing the necessary studies and is committed to doing whatever it takes to clean the area properly. He says the company has already fully paid for two insurance policies to cap its environmental liability and is eager to move ahead with the project, named Provenance. "None of us went into this with our eyes shut," Mr. Stewart says.

## Iron Mountain Says Director Pierce Quit

BOSTON—Iron Mountain Inc. said J. Peter Pierce resigned from the record management concern's board. Earlier this month Mr. Pierce filed a lawsuit in a state court in Montgomery County, Pa., accusing Iron Mountain of conspiring to ruin him financially.

Iron Mountain said it sent Mr. Pierce a letter on Dec. 20 asking the director to resign. In a Dec. 23 written response that the company filed with the Securities and Exchange Commission, Mr. Pierce said he was resigning from the board but not because of the company's request. Rather, Mr. Pierce said, his departure would enable him to pursue shareholders' rights and see "to it that Iron Mountain is governed and managed properly."

As reported, Mr. Pierce's lawsuit alleges that the company retaliated against him on the erroneous belief that he had helped to start a competing company and gave it some of Iron Mountain's trade secrets. Iron Mountain has said the suit is without merit.

## Ashland Inc.

### Judge Levies \$9 Million in Fines Stemming From 1997 Explosion

A federal judge ordered Ashland Inc. to pay more than \$9 million in fines and restitution following a 1997 explosion at its Minnesota refinery, the Justice Department and Environmental Protection Agency said. Judge James M. Rosenbaum of U.S. District Court for the District of Minnesota also ordered the Covington, Ky., company to upgrade its St. Paul Park refinery, which could cost \$4 million, the agencies said. Ashland also was put on probation for five years. The penalties stem from a May 16, 1997, fire the agencies said was caused when the company put volatile hydrocarbons into its sewer system. The action resulted in an explosion that injured six Ashland workers, one seriously. Ashland spokesman Stan Lampe said the explosion was "a tragic accident." "We're pleased this has now been concluded and the court has made its decision," he said. In 4 p.m. New York Stock Exchange composite trading, Ashland shares rose six cents to \$28.19 each.

—Dow Jones Newswires